Shaping the "Open" World by Leveraging Partners

An Internet Strategy

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DRAFT presentation

Internet Opportunity

◇ We have a business model and they don't

◇ We can define a business model for the emerging Internet

◇ If we don't participate, Microsoft or Kleiner Perkins might dictate

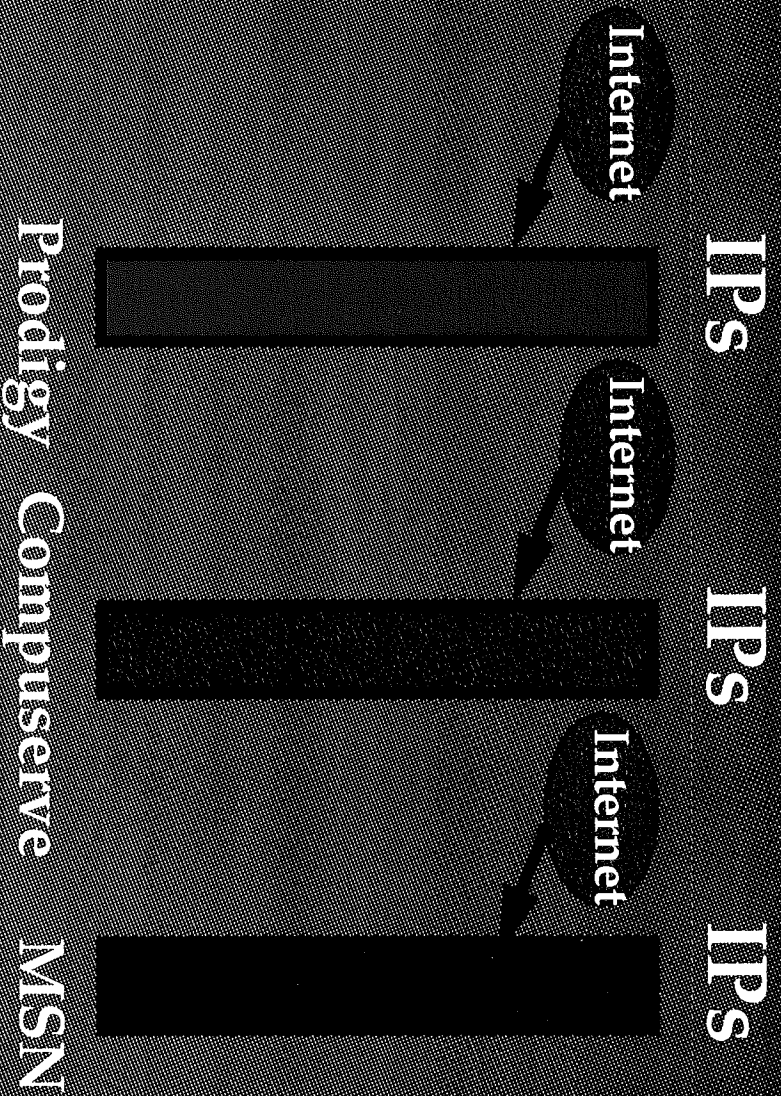◇ The opportunity exists now, but not forever

Current Online Services

- **IPs**
- **IPs**
- **IPs**

◇ Proprietary and Exclusive
- Prodigy
- Compuserve
- MSN

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Old Strategy: Window on the Net

Internet

IPs

Internet

IPs

Internet

IPs

IPs

IPs

Prodigy   Compuserve   MSN
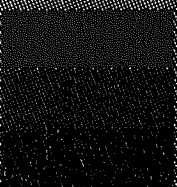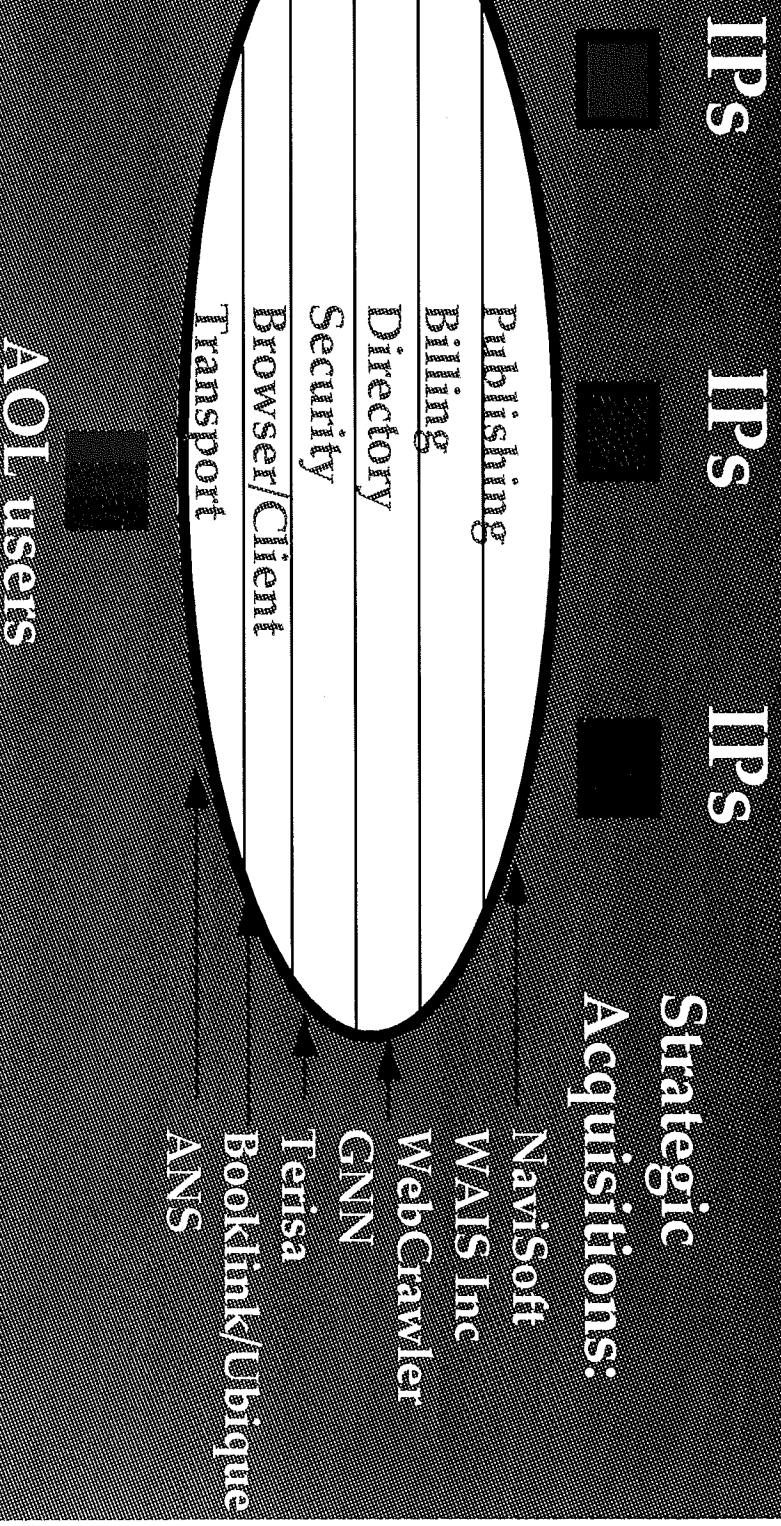
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AOL Integrates with the Net

IPs

IPs

IPs

Internet
Web, Email, Netnews, Gopher, WAIS

AOL users

◊ Leverages other's work for our purpose

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AOL as Driver of the Net

IPS

IPS

IPS

IPS

AOL users

Publishing
Billing
Directory
Security
Browser/Client
Transport

Strategic Acquisitions:
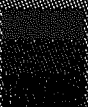
NaviSoft
WAIS Inc
WebCrawler
GNN
Terisa
Booklink/Ubique
ANS
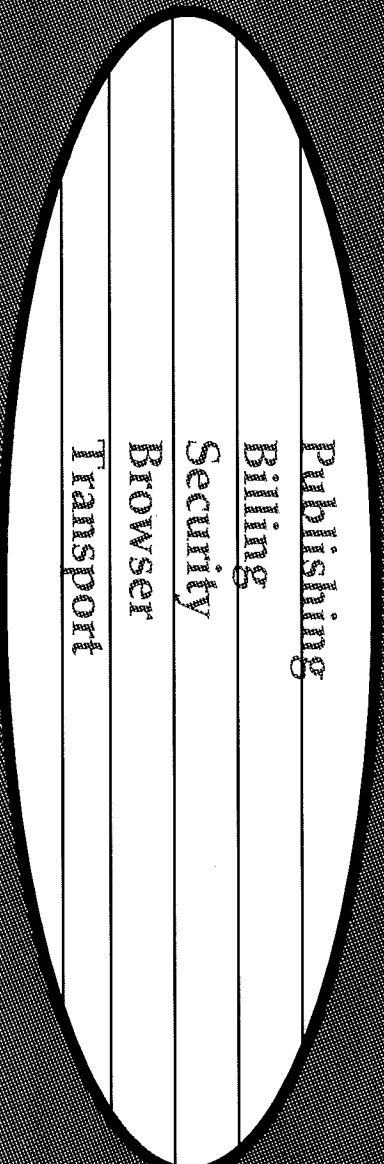
◇ **Open Systems can be Shaped**

◇ **Open = Horizontal; Proprietary = Vertical**

Forces Others to the Open Platform

IPs

IPs

IPs

Publishing
Billing
Security
Browser
Transport

AOL users

MSN users

?? users

◊ AOL Programming Adds Value
◊ IPs get maximum distribution

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When will Open (horizontal) win over Proprietary (vertical)?

Milestones to watch for:

◇ Microsoft announcing it will unbundle MSN modules

◇ Microsoft actually opens MSN modules

◇ Open systems companies get funded

◇ Open systems companies band together

◇ Analysts/Wall Street focus on these Open Systems companies

Players in the Open World

Content Creators

Server Tech +
Server Farm

Raw Networks

Customer Service
Community
Billing
Programming

Client Software

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AOL Horizontal Strategy

◇ Pick our turf, defend it by being best

◇ Enable our friends with a sustainable business model

◇ Question: What is our sustainable turf?

Our Turf in the Horizontal World

◇ Strategic

◇ Consumer Subscription Service
◇ Technical tools and services
◇ Content packaging
◇ Billing and accounting
◇ Community building
◇ Organizational
◇ Customer Service
◇ Community Stewardship
◇ Content packaging and deals

Where the Money Might Go . . .

◇ Subscription revenue goes through us, so . . .

◇ 40% Content (incl chat)

◇ 30% Marketing/billing/cust

◇ 20% Server tech + farm

◇ 10% Client software

◇ Right catagories? Right %'s?

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Industry Breakdown

◇ **Assume $10B Subscription Interactive Media Industry. (w/o Comm costs)**

  ◇ **$4B Content/Community royalty**

  ◇ **$3B Mktg/Billing/Cust Svc**

  ◇ **$2B Server tech + farms**

  ◇ **$1B Client technology**

◇ **Premium pricing and Ad revenue not split**

Our New Partners

◇ Netscape/Sun for Client Software

◇ AT&T, MCI, BellAtlantic for Connectivity

◇ News, Print, Video for content

◇ EDS, Donnelley, Netscape Oracle for server software and services

Our Horizontal Competitors: None Yet

◇ MSN

◇ Compuserve Prodigy

◇ Others if we let them

Next Steps

◇ Define our turf precisely (business and technical)

◇ Talk about business model with potential partners

◇ Create system to test the model

◇ Build and deploy quickly

GNN 3.0 with Partners

Assumptions: #Subscribers: 1M; Rev/sub $17; hrs/sub 8; Comm cost $1/hr.

$17/user/mo x 12 mo/yr x 1M users = $200M gross/yr
$1/hr x 8hrs/user/mo x 12mo/yr x 1M=$100M comm
Therefore $100M Gross rev w/o comm

	GNN$	Others$
Content	20M	20M
Mktg/custsvc	30M	
Servtech/hosts	10M	10M
Client	5M	5M
Revenue	65M	35M (15% gross)
Add Ad Rev	10M	
GNN Net Rev	75M	35M

Mr Netscape Situation

◇ Has a technology stream, no revenue stream

◇ Has high investor expectations

◇ Has a long term view

Pitch to Mr Netscape

◇ We have rev stream, no tech stream

◇ You have tech stream, no rev stream

◇ Lets Partner... Our dream is that you are driven to make us successful. And vice versa <<<Show 40-30-20-10 plan here >>>

◇ Client pool of 10% of total rev (w/o comm)

◇ Netscape gets porportion of that

◇ You can get $1-3B/yr for client and server software just from the consumer market

◇ You put us as your startup screen and dial host

Mr Greenhouse situation

◇ **AOL turned you down, so you did it yourself on the Web**

◇ **You have a popular website (50khits/day), growing user base, and no revenue stream**

◇ **Selling ads is hard and slow**

◇ **If we can just turn this francise into a business . . .**

Pitch to Mr Greenhouse

◊ We want you to be successful in attracting users, particularly our users

◊ We offer you:

    ◊ revenue split,

    ◊ tools,

    ◊ eyeballs: directory entries, etc

◊ You give us:

    ◊ 1" Banner for GNN and advert

    ◊ No surcharge for our members

Greenhouse pitch cont

◇ We have $40M pool/year for content (GNN only, not brand). 1/2 will probably go to chat etc.

◇ Say there are 200 sites and you are in the top 50 most popular. You get $200k/year

◇ We sell ads for your site:
  ◇ 50k hits/day = 10M hits/year
  ◇ Ad rate: $10/k impressions = $100k ad rev